



2009

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** Grupo Miguel  
**COUNTRY:** El Salvador  
**FACTORY CODE:** 950022414H  
**MONITOR:** Accordia Global Compliance  
Group  
**AUDIT DATE:** July 14-15, 2009  
**PRODUCTS:** Accessories  
**PROCESSES:** Full  
**NUMBER OF WORKERS:** 243



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### **Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation**

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

#### **Noncompliance**

**Explanation:** It was noted that in some cases the factory did not pay overtime or night shift rates to the employees who worked 24 consecutive hours.

Labor Code: Article 168-169. Payrolls reviewed: May 16-31, 2009; June 16-31, 2009 and July 1-15, 2009

**Plan Of Action:** We will send feedback to all department heads at the Miguel Group. The commitments that the company has agreed to (e.g., the code of conduct), reinforce details that are important to the conduct of workers during overtime.

Files were created to document firm commitment to this code. Each department head has agreed to not make mistakes on overtime and night shift pay. We are confident that operational and administrative personnel will post and report the payment of stipulated hours, as required by law.

The company invites the use of existing channels of information gathering (suggestion boxes, open door policies) to report any incidents or concerns that relate to payment, proper follow up, registration and/or finding a solution.

**Deadline Date:** 02/04/2010

**Action Taken:** The attached policy strengthens our commitment to the regulation of working hours. This policy describes the hours of work, overtime limits per week and legal payment of these hours. This policy has been signed by the Executive Director of the company; it will be published and posted in strategic locations. Procedures regarding working hours are attached and detail the logistical details about policy, overtime and other items related to this commitment.

RESPONSIBILITY FOR HUMAN RESOURCES MANAGEMENT: The policy of working hours has been communicated to the staff of the Miguel Group. The details of this policy are listed below:

A copy of the policy has been posted in a strategic location (marker area), so that the staff can be aware of this policy.

Email. The human resource manager sent an electronic copy of this information to all relevant parties at the Miguel Group. This strengthens the awareness and importance of compliance.

Meetings with Miguel Group staff had already been conducted when the first compliance memorandum was delivered. A meeting will be held to ensure success on this matter.

MEASUREMENT. RESPONSIBILITY FOR HUMAN RESOURCES MANAGEMENT: Human Resources is responsible for a daily review of the dialing system which verifies the time of entry, exit and overtime.

Payroll: During the creation of the payroll Human Resources is required to inspect the total hours worked daily and weekly in order to monitor compliance with this policy.

Internal Audit: The Financial Manager will conduct internal audits to Human Resources. These quarterly audits will be focused on compliance with the policy of working hours.

**Plan Complete:**

**Plan Complete Date:**

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## **Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation**

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

### **Noncompliance**

**Explanation:** It was noted that the timekeeping system is not set up to record hours worked beyond the regular scheduled shift. This affects the calculation of workers' wages.

Labor Code, Articles 168-169

**Plan Of Action:** A technical visit will be scheduled with the vendor of the fingerprint time clock, with the objective of finding the correct form for the registration of overtime.

**Deadline Date:** 11/27/2009

**Action Taken:** We had a visit from tech support, who gave us their valuable opinion. They suggested that the employees punch in at the end of each normal working schedule. If they need to work overtime, the employees will have to wait 1 minute and then punch in again to register the start of overtime.

**Plan Complete:**

**Plan Complete Date:**

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## **Forced Labor: General Compliance Forced Labor**

F.1 Employers shall comply with all local laws, regulations and procedures concerning the prohibition of forced labor. (S)

### **Noncompliance**

**Explanation:** None of the Grupo Miguel factories is registered with the individual labor contracts within the Ministry of Labor and Social Prevision. There is no documentation showing that the workers received a copy of the contracts.

Labor Code, Article 18

**Plan Of Action:** Labor contracts for 2009 will be delivered to the Ministry of Labor and Social Prevision; All employees will be asked to provide written confirmation that they were provided a copy of their labor contract.

**Deadline Date:** 11/24/2009

**Action Taken:** The labor contracts were delivered to the labor ministry. These documents were rejected on the grounds that the minimum wage and per month salary are to be stipulated by day. These documents have been reprinted and are in the process of being resent.

**Plan Complete:**

**Plan Complete Date:**

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### Freedom of Association: Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

### Noncompliance

**Explanation:** There is an inconsistency in the operation of the factory's complaints system. The factory has an open door policy and a suggestion box. However, not all complaints are resolved satisfactorily, particularly those relating to promotions, salary and incentives that are related to the treatment of workers by supervisors and managers. Art. 204 of the Labor Code

**Plan Of Action:** We are working on documenting the complaints raised during the previous year. We are trying to organize complaints which are backed up by photographs. We are also trying to organize documents certifying the proper operation and consistency of the complaints system. We plan on filing all of this information.

**Deadline Date:** 10/29/2009

**Action Taken:** Attached is a copy of the annual employee evaluation form. In addition there is a recent example of a promotion within our company. There are also examples of leadership skills that were developed by the department heads, with the objective of correcting the errors in the treatment of staff.

**Plan Complete:**

**Plan Complete Date:**

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## Harassment or Abuse: General Compliance Harassment or Abuse

H&A.1 Employers shall comply with all local laws, regulations and procedures concerning discipline, violence, harassment and abuse. (S)

### Noncompliance

**Explanation:** The factory does not have its internal rules authorized by the Labor Ministry and Social Security Article 302 Labor Law

**Plan Of Action:** A copy of the internal rules has been delivered. This document is being reviewed by the Ministry of Labor and is awaiting their approval. The last corrections were done on October 19, 2009. These corrections were accompanied by the letters which show the seal and signature of receipt.

**Deadline Date:** 12/18/2009

**Action Taken:** We are subject to any comments. Changes requested by the Ministry of Labor are accepted and in expected resolution time by them in the adoption of internal rules.

**Plan Complete:**

**Plan Complete Date:**

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### **Harassment or Abuse: Discipline/Progressive Discipline**

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

### **Noncompliance**

**Explanation:** The factory does not have an established disciplinary process.

**Plan Of Action:** Upon their approval, we will introduce these disciplinary proceedings to the head of each department.

**Deadline Date:** 12/18/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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### **Harassment or Abuse: Discipline/Verbal Abuse**

H&A.11 Employers shall not use any form of verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline. (S)

#### **Noncompliance**

**Explanation:** It was noted that the some supervisors verbally abuse workers in order to maintain labor discipline. Labor Code, article 29(5)

**Plan Of Action:** We will send feedback to the department heads at Grupo Miguel. In accordance with the commitments that the company has made to the code of conduct, there will be reinforcement of important details such as harassment or abuse. We will create signature files where a signature exists. In an effort to avoid this mistake, we will secure the commitment of each department head.

**Deadline Date:** 11/26/2009

**Action Taken:** Leadership training for chiefs of the Miguel Group took place where details are so important that they will help them to fulfill their leadership, with self-diagnostic questionnaires that take interest in dealing with employee behavior. Follow ups will be provided for topics that are important such as good communication, how to avoid conflicts, etc.

**Plan Complete:**

**Plan Complete Date:**

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### Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

#### Noncompliance

**Explanation:** 1. Night shift workers have not performed an evacuation drill.

2. The alarm systems were missing from the knitting, elastics and twill buildings.

**Plan Of Action:** The night shift personnel performed an evacuation drill. A technical visit by 2 alarm technicians has been conducted. We will analyze their offer and new alarms will be installed in the work buildings.

**Deadline Date:** 12/18/2009

**Action Taken:** Some pictures have been attached.

**Plan Complete:**

**Plan Complete Date:**

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### Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

#### Noncompliance

**Explanation:** The workers have not received first aid training.

**Plan Of Action:** We have formed a first aid brigade which is composed of 23 persons from every department. As a result, this brigade includes 45% of employees who work during the night shift.

**Deadline Date:** 08/29/2009

**Action Taken:** Attached to this post are the photos from the first aid training.

**Plan Complete:**

**Plan Complete Date:**

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### Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

#### Noncompliance

**Explanation:** The workers in the heat transfer area do not have the appropriate personal protective equipment (e.g., safety glasses, gloves).

**Plan Of Action:** The safety data sheet has been checked. We have provided employees with the appropriate personal protective equipment. We strongly emphasized the importance of using this equipment.

**Deadline Date:** 10/02/2009

**Action Taken:** Attached to this post are signatures that we received.

**Plan Complete:**

**Plan Complete Date:**

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### Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

#### Noncompliance

**Explanation:** 1. During the factory tour it was noted that the chemicals used in the printing area are missing labels.

2. Workers have not received training in the safe use of chemicals.

**Plan Of Action:** We have asked our chemical suppliers to conduct a training workshop for all employees, including those who work during the night shift. Attached are photos of the containers that have been identified.

**Deadline Date:** 12/16/2009

**Action Taken:**

**Plan Complete:**

**Plan Complete Date:**

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### Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

#### Noncompliance

**Explanation:** The MSDS' were missing in the chemicals storage area.

**Plan Of Action:** We have contacted our chemical suppliers with the objective of having the missing MSDS printed in our native language. We are still awaiting some of the MSDS that we requested. We have, however, posted the MSDS that we've received.

**Deadline Date:** 12/22/2009

**Action Taken:** I have attached med's photos of the post until now (as an example) as well as some chats attached where the request was made. We have asked our chemical suppliers to host a training workshop for our night shift employees.

**Plan Complete:**

**Plan Complete Date:**

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### **Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance**

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

#### **Noncompliance**

**Explanation:** The ventilation in buildings 1 and 2 was inadequate. There is no extraction system and the air does not circulate. As a result the temperatures in the factory are very high and this is very uncomfortable for workers.

**Plan Of Action:** Studies about temperature and humidity have been done in the heat transfer area. The service providers have also presented information on this situation. We are also waiting for advice on how we can improve the thermal environment in these buildings.

**Deadline Date:** 02/26/2010

**Action Taken:** The attached letters have been sent by the service providers.

**Plan Complete:**

**Plan Complete Date:**

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## Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

### Noncompliance

**Explanation:** During the review of payroll records, it was found that 4 workers worked for 24 consecutive hours. 2 of them worked 24 hour shifts 4 months ago. The other 2 worked 24 hour shifts on the day before the audit.

Article 167 Labor law

**Plan Of Action:** We will provide feedback to all department heads at the Miguel Group. The commitments that the company has made to the code of conduct reinforce details on working hours (maximum weekly overtime).

A letter of commitment has been drafted. In this letter, each department head will agree to avoid this mistake. This letter will also include a letter from the president of the company, stipulating the maximum hours of work.

**Deadline Date:** 11/04/2009

**Action Taken:** I have attached a signed copy of the letter of commitment. The attached policy strengthens our commitment to regulating working hours. This document describes the hours of work, overtime limits per week and legal payment for these hours. This policy has been signed by Executive Director of the company. It will be published and posted in strategic locations around the factory. Also attached is a written procedure which details the logistics of this policy to the staff.

**Plan Complete:**

**Plan Complete Date:**

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